


AR10

ANNUAL REPORT

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1967



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Directors

R. J. ANDERSON
J. S. DEACON
S. E. EDWARDS, Q.C.
WM. W. LAIRD, Q.C.

Officers

A. GOLD,
PRESIDENT
P. W. MOORE,
VICE-PRESIDENT & GENERAL MANAGER
L. R. DOBBIN, B. Com.,
VICE PRESIDENT - FINANCE & TREASURER
S. E. EDWARDS,
SECRETARY

Head Office and Plant

GALT, Ontario

Bankers

Royal Bank of Canada

Solicitors

Fraser, Beatty, Tucker,
MacIntosh and Stewart

Transfer Agents and Registrars

National Trust Company,
Toronto

Auditors

Thorne, Gunn, Helliwell &
Christenson
Chartered Accountants, Toronto

Annual Meeting

April 17, 1968 - 11:00 a.m.
Head Office, Galt, Ontario

Report of the directors

TO THE SHAREHOLDERS

Your Directors submit herewith the annual report for the year ended December 31, 1967, together with the financial statements and the report of the auditors. The following are the highlights.

	1967	1966	% increase (decrease)
Net sales	\$3,615,773	\$2,792,888	29
Profit before depreciation and profit sharing	93,035	26,192	255
Depreciation	96,998	109,547	(11)
Profit sharing	—	—	—
Net loss before taxes	3,963	83,355	(95)
Net loss after taxes	3,963	83,355	(95)
Loss per Class A share	13	2.78	(95)
Long term debt	243,520	350,480	(31)
Working capital	526,155	549,339	(4)
Working capital ratio	1.60-1	1.64-1	

Demand for your company's products increased substantially during the second half of the year as a result of which sales for the year reached an all-time high. This coupled with improved operating efficiency in the plant restored your company's operations to a profitable level during the last few months of the year.

Due to the expanded sales during the final quarter, accounts receivable were at a high level at the year-end. Collections have been good, and losses from bad debts minimal. Total inventories at December 31, 1967, were lower by 26% due to the reduction of 50% in finished goods inventories during the year.

As reported earlier, Mr. Abe Gold was appointed President and Director in June. At the meeting of the Board of Directors in November, Mr. Donald M. Deacon retired as a Director and was replaced by Mr. William W. Laird, Q.C., who for twenty-one years served as a Vice-President and Assistant General Manager of Loblaw's Groceries Co. Limited.

The company entered into a two-year agreement with the union representing its employees effective January 1, 1968.

The Directors wish to thank all the employees for their cooperation and support in the difficult period through which the company has passed.

Your Directors are happy to report that the improvement in sales and profits enjoyed during the final quarter of 1967 has carried forward into the current year.

JOHN S. DEACON,
Chairman of the Board.

Riverside Yarns Limited

STATEMENT OF INCOME

Year ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
Sales	\$3,615,773	\$2,792,888
Cost of goods sold, excluding depreciation	3,266,049	2,533,180
Gross profit	349,724	259,708
Selling and administrative expenses	225,426	196,378
Interest on long-term debt	30,105	33,692
Financing expenses amortized	2,157	2,448
	257,688	232,518
Income before undernoted items	92,036	27,190
Profit (loss) on sale of fixed assets	999	(998)
	93,035	26,192
Depreciation	96,998	109,547
LOSS FOR THE YEAR	\$ 3,963	\$ 83,355

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
BALANCE AT BEGINNING OF YEAR	\$ 434,439	\$ 532,794
Deduct		
Loss for the year	3,963	83,355
Dividends on Class A shares	—	15,000
	3,963	98,355
BALANCE AT END OF YEAR	\$ 430,476	\$ 434,439

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967
(with comparative figures for 1966)

	1967	1966
SOURCE OF FUNDS		
Operations		
Items not involving a current outlay of funds		
Depreciation	\$ 96,998	\$ 109,547
Financing expenses amortized	2,157	2,448
	<hr/>	<hr/>
	99,155	111,995
Deduct loss for the year	3,963	83,355
	<hr/>	<hr/>
	95,192	28,640
Issue of common shares	28,000	—
Sale of fixed assets	3,838	6,010
	<hr/>	<hr/>
	127,030	34,650
	<hr/>	<hr/>
APPLICATION OF FUNDS		
Decrease in non-current portion of long-term debt	106,960	50,400
Additions to fixed assets	43,254	42,260
Dividends on Class A shares	—	15,000
	<hr/>	<hr/>
	150,214	107,660
	<hr/>	<hr/>
DECREASE IN WORKING CAPITAL	23,184	73,010
WORKING CAPITAL AT BEGINNING OF YEAR	549,339	622,349
	<hr/>	<hr/>
WORKING CAPITAL AT END OF YEAR	\$ 526,155	\$ 549,339
	<hr/>	<hr/>
	0	
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Current assets	\$1,404,843	\$1,406,098
Current liabilities	878,688	856,759
	<hr/>	<hr/>
	\$ 526,155	\$ 549,339
	<hr/>	<hr/>

Riverside Yarns Limited

(Incorporated under the laws of Ontario)

BALANCE SHEET

December 31, 1967 (With comparative figures at December 31, 1966)

ASSETS

CURRENT ASSETS

	1967	1966
Accounts receivable	\$ 780,173	\$ 599,515
Inventories (note 1)	545,766	741,250
Prepaid expenses	78,904	65,333
	<u>1,404,843</u>	<u>1,406,098</u>
FIXED ASSETS (note 2)		
Land, buildings, machinery and equipment	1,604,114	1,572,966
Less accumulated depreciation	1,103,257	1,014,527
	<u>500,857</u>	<u>558,439</u>
DEFERRED CHARGES TO OPERATIONS	<u>4,984</u>	<u>7,141</u>
	<u>\$1,910,684</u>	<u>\$1,971,678</u>

LIABILITIES

CURRENT LIABILITIES

Bank advances, secured (note 3)	\$ 337,606	\$ 417,322
Accounts payable and accrued liabilities	425,581	349,462
Taxes payable	8,541	7,255
Principal instalments due within one year on long-term debt	106,960	82,720
	<u>878,688</u>	<u>856,759</u>
LONG-TERM DEBT (note 4)		
6½% First mortgage sinking fund bonds, Series A	100,000	110,000
Mortgage payable	250,480	323,200
	<u>350,480</u>	<u>433,200</u>
Less principal instalments included in current liabilities	106,960	82,720
	<u>243,520</u>	<u>350,480</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)

Authorized		
30,000 Class A \$2 cumulative participating shares without par value		
100,000 Common shares without par value		
Issued		
30,000 Class A shares	358,000	330,000
40,000 (26,000 in 1966) Common shares		
RETAINED EARNINGS	<u>430,476</u>	<u>434,439</u>
	<u>788,476</u>	<u>764,439</u>
	<u>\$1,910,684</u>	<u>\$1,971,678</u>

Approved on behalf of the Board.

ABE GOLD, President

J. S. DEACON, Chairman of the Board

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1967

	1967	1966
1. INVENTORIES		
Raw materials	\$ 170,742	\$ 145,767
Work in process	130,655	110,263
Finished goods	244,369	485,220
	<u>\$ 545,766</u>	<u>\$ 741,250</u>

Raw materials are valued at lower of cost and replacement cost. Work in process and finished goods are valued at lower of cost and net realizable value.

	1967			1966
	Asset value	Accumulated depreciation	Net	Net
Land	\$ 6,600	—	\$ 6,600	\$ 6,600
Buildings	348,809	\$ 237,304	111,505	117,369
Machinery and equipment	1,248,705	865,953	382,752	434,470
	<u>\$1,604,114</u>	<u>\$1,103,257</u>	<u>\$ 500,857</u>	<u>\$ 558,439</u>

Fixed assets are valued at replacement value as of April 10, 1928 as per appraisal of Dominion Appraisal Co., Limited with subsequent additions at cost.

3. BANK ADVANCES
Accounts receivable and inventories are pledged as security for bank advances.

4. LONG-TERM DEBT
The 6½% first mortgage sinking fund bonds mature September 15, 1972.
The mortgage, which is payable to the Industrial Development Bank, matures July 22, 1970 and bears interest as to \$193,920 at 7½% and as to \$56,560 at 9% per annum.
Principal instalments on long-term debt due within each of the next five years are as follows:

1968	\$ 106,960
1969	106,960
1970	66,560
1971	10,000
1972	60,000

5. CAPITAL STOCK
Dividends on Class A shares have been paid to August 15, 1954 and arrears at December 31, 1967 amount to \$26.75 per share totalling \$802,500.
The company shall not, without the prior consent of Industrial Development Bank, declare or pay dividends on its common shares, and it shall not pay dividends in any year on its Class A shares unless available funds (defined as net profit before depreciation, but after income taxes) for the previous year exceed \$160,000, and then only to the extent of \$90,000.
During the year 14,000 common shares were issued at \$2 per share for cash.

6. COMPARABILITY OF FIGURES
Figures for 1966 have in some cases been reclassified in order to present them in a form comparable with those for 1967.

7. OTHER STATUTORY INFORMATION
The aggregate direct remuneration paid to directors and senior officers as defined by The Corporations Act of Ontario was \$64,371 for the year ended December 31, 1967.

Riverside Yarns Limited

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
RIVERSIDE YARNS LIMITED

We have examined the balance sheet of Riverside Yarns Limited as at December 31, 1967 and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

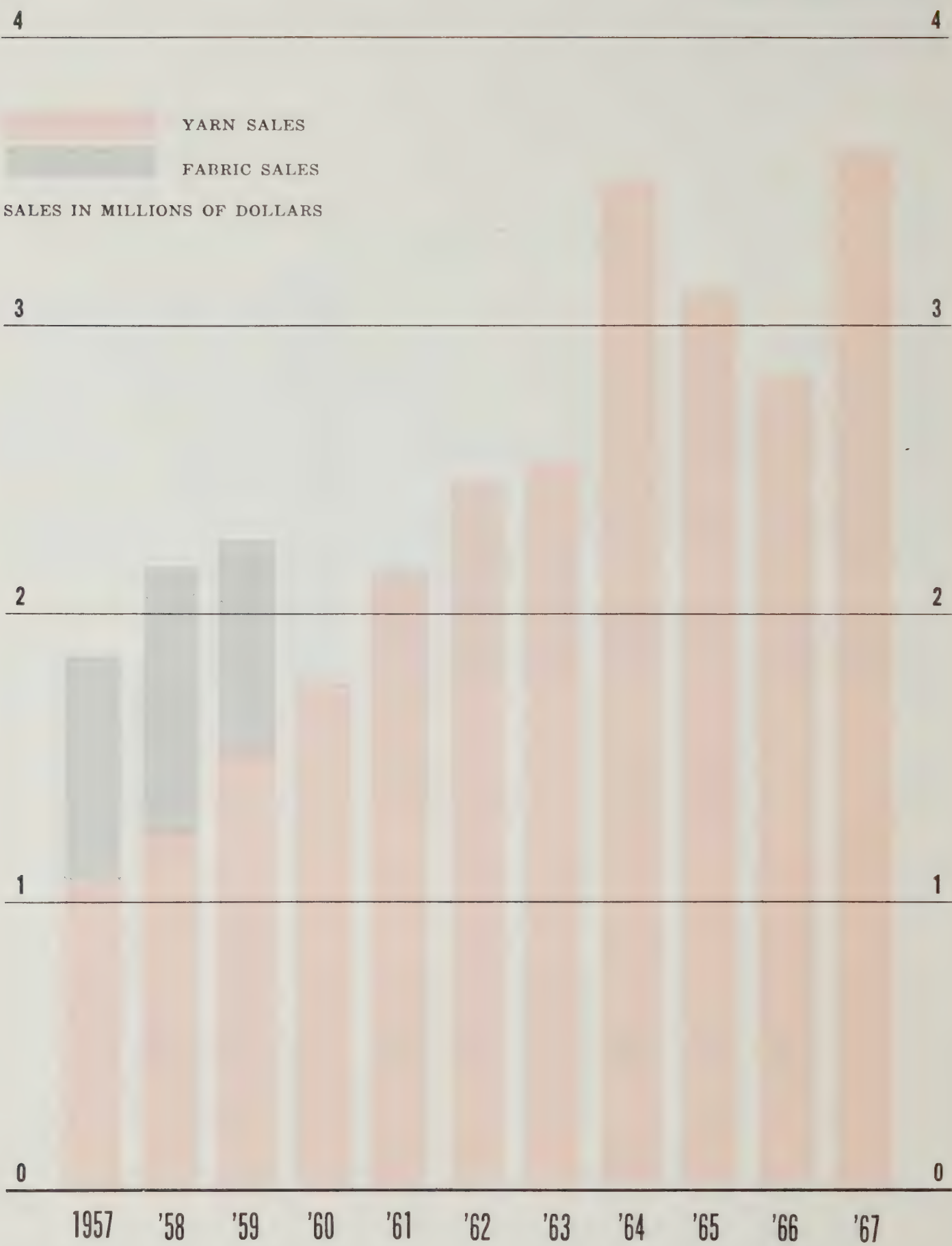
Toronto, Canada
January 24, 1968.

PROFIT and LOSS
Thousands of dollars



Riverside Yarns Limited

SALES



Six Year
Financial Summary
See Overleaf

SIX YEAR FINANCIAL SUMMARY

INCOME AND EXPENSE

	1967	1966	1965	1964	1963	1962
Sales	\$3,615,773	\$2,792,888	\$3,144,077	\$3,504,747	\$2,505,176	\$2,440,094
Cost of sales	3,266,049	2,533,180	2,737,437	2,875,707	2,113,685	2,072,878
Gross profit	349,724	259,708	406,640	629,040	391,491	367,216
Selling and administrative expenses	223,626	194,878	178,297	189,418	191,942	167,322
Directors' fees	1,800	1,500	2,200	1,600	1,400	1,400
Interest on long-term debt	30,105	33,692	40,800	23,395	25,918	19,299
Financing expenses amortized	2,157	2,448	3,389	2,690	4,831	2,727
	257,688	232,518	224,686	217,103	224,091	190,748
Income before undernoted items	92,036	27,190	181,954	411,937	167,400	176,468
Profit (loss) on sale fixed assets	999	(998)	(1,440)	(6,141)	14	(268)
	93,035	26,192	180,514	405,796	167,414	176,200
Depreciation	96,998	109,547	119,806	99,786	99,069	94,888
Net income (loss) before profit sharing and taxes	(3,963)	(83,355)	60,708	306,010	68,345	81,312
Contribution to employees' profit sharing	—	—	9,106	76,803	10,252	12,197
Net income (loss) before taxes	(3,963)	(83,355)	51,602	229,207	58,093	69,115
Taxes on income	—	—	—	47,102	—	—
Net income (loss) for year	\$ (3,963)	\$ (83,355)	\$ 51,602	\$ 182,105	\$ 58,093	\$ 69,115

FINANCIAL AND OTHER INFORMATION

	1967	1966	1965	1964	1963	1962
Working capital	526,155	549,339	622,349	588,866	345,098	273,019
Working capital ratio	1.60-1	1.64-1	1.83-1	1.81-1	1.59-1	1.56-1
Long-term debt	243,520	350,480	400,880	484,700	310,320	352,860
Shareholders' equity	788,476	764,439	862,794	794,090	604,485	546,392
Number of shares outstanding — Class A	30,000	30,000	30,000	30,000	30,000	30,000
Equity per share — Class A	40,000	26,000	26,000	26,000	20,000	20,000
Equity per share — Common	26.28	25.48	28.76	26.47	20.15	18.21
Net profit (loss) per share — Class A	(.13)	(2.78)	1.72	6.07	1.93	2.30
Net profit (loss) per share — Common	—	—	—	—	—	—
Dividends paid per share — Class A	—	.50	1.00	.75	—	—
Dividends paid per share — Common	—	—	—	—	—	—
Dividend arrears — Class A	26.75	24.75	23.25	22.25	21.00	19.00
Cash flow	95,192	28,640	176,237	290,722	160,942	166,998
% of cash flow to shareholders' equity	12.1%	3.7%	20.4%	36.6%	26.6%	30.6%
Purchase of fixed assets	43,254	42,260	74,606	229,139	46,323	233,418
Fixed assets (net)	500,857	558,439	631,736	678,486	555,579	608,325

MEMORANDA

